SYNOPSIS

A STUDY OF SOCIO- ECONOMIC IMPACT OF NBFC WITH SPECIAL REFERNECE TO SELECTED COMPANIES

Submitted to IIMT University, Meerut

In partial fulfilment for the award of the Degree of

Doctor of Philosophy

In

Commerce

Submitted by

Kalika Bhardwaj

(Research Scholar)

Enrollment No- IIMTU/2167428 Registration No- 2167007002

Under the guidance of

Dr. Neeraj Gupta

(Assistant Professor, IIMT University, Meerut)

(Mayr 2022)

INTRODUCTION

NBFC- stands for NON- Banking Financial Companies which means the companies which provides financial support to the weaker sections. These are the Financial Institutions which provides loans just like Banks but they do not hold any banking license. NBFC plays a very vital role in providing financial services to Individuals, SMSE's and many other sectors which take part in Economy. NBFCs engages in various activities such as lending and credit operations, asset financing, investment activities, wealth management, infrastructure financing, insurance services, and more. But one important thing is that NBFC cannot accept cash deposit like Banks so they organize their funds through deposits borrowings, and market borrowings and provide loans and advances to the customers.

The major difference between banks and NBFC is that NBFC do not have any Banking license, they cannot open any savings, current account or issue cheques just like Banks do. But NBFC's are also regulated by RBI only just like Banks. RBI needs to regulate the framework of NBFC to ensure the stability of financial system also it should protect the interest of customers.

NBFC's basically provides loan to individuals and sectors that do not have easy access to traditional banking services. They also contribute in the economy of the country by promoting financial inclusions and by providing credit facilities to the underserved segments.

Earlier Sahukar's use to provide loans to the needy people on very high rate of interest to end that wrong mechanism of exploitation of underprivileged the concept of Bank came into force. Through which government started to provide loans to the needy people, specially to farmers on nominal interest rates so that they can fulfill their basic needs of farming. But as the world evolved the concept of NBFC came into force which bridged the gap of financing to the needy by providing easy financing services.

As when Banks provide loans they mortgage or complete a lot of paper work before proceeding to pay the money and to avoid that issue of maintain lot paper work before providing money or people who do not able to arrange so many documents these NBFC's helped them to provide finance. NBFC's attracts and served those people who are not served or entertained by Banks. By providing Financial Support to those segments NBFC has contributed in the Economy of the world as some group which was underserved has the funds to invest or spend in the market. They also have the ability to pay and grow. Although NBFC's charge interest rate more than Banks but people prefer it over banks as they provide very easy process of providing funds which is more likely by each and everyone.

NBFC's not only provides funds to only for Business they also contribute in market via consumers as they have started providing loans to consumers to purchase luxury items also. And this credit facility involves easy installment of repaying the loan.

As, NBFC's are contributing in the market for the growth of the economy of the country so government has taken step to protect the interest of consumers and companies to protect them from financial crisis. So the NBFC's are also now regulated by RBI just like banks also RBI is working to make the laws more strict so that the bad debts of the NBFC's can be reduced. As, NBFC have bridged the gap between the Banks and underserved segments.

NBFC's plays a vital part in regulating the necessity of capital conformation. The part of banks is supplemented by NBFC. NBFC have further flexible structure than bank, in comparison to banks NBFC can take the quick opinions than banks, lesser pitfalls can be taken by NBFC than Banks, they can fluently alter their services and charges according to the use of guests. The flexible structure of NBFC helps consumers as it's fully investor friendly. As NBFC is veritably important consumer friendly this is dangerous to itself only as due to lower paperwork their arrears are important and also threat is also high. NBFC principally deals with lending, investment or deposit or acceptance as their top business.

Non-Banking Financial Company (NBFC) is a company registered under the Companies Act, 1956 of India, engaged in the business of loans and advances, acquisition of shares, stock, bonds, hire-purchase insurance business or chit-fund business, but does not include any institution whose principle business is that of agriculture, industrial activity, purchase or sale of any goods (other than securities) or providing any services and sale/purchase/construction of immovable property.

Refernece- https//en.wikipedia.org/wiki/NBFC_and_MFI_in_India)

There are various types of NBFC. Let us have a look on some of them-

1) **Investment and Credit Company**- These companies principally deals with asset backing by loans and advances. All asset finance, Loan Company and investment companies fall into this order.

2) **Structure Finance Company**- they give minimal ¾ percent loan on the cost of asset**.**

3) **Structure Debt Fund**- It facilitates the inflow of long term debt into structure systems.

4) **Gold Loan NBFC**- These NBFC's give loan against gold.

5) **Account Aggregators** -An account aggregator NBFC takes the business of account aggregation for a figure or else.

6) **Residuary NBFC**- Its top business the receiving of deposits, under any scheme or arrangement or in any other manner and not being Investment, Asset Financing, Loan Company.

Relate to affectation donation to Frugality

As NBFC's are loan furnishing companies so they also give to regulate finances flow in the request. NBFC Company provides loan and islands the failure of inflow of fund. NBFC's are before regulated by NHB but now they're regulated by RBI. NBFCs do play a critical part in sharing in the development of an frugality by furnishing a fillip to transportation, employment generation, and wealth creation, bank credit in pastoral parts and to support financially weaker sections of the society. NBFC give loans to weaker sections. The banking sector has been the most important sector in the field of business because it supports its credibility in supporting manufacturing, infrastructural development and indeed being the backbone for the common man's plutocrat. Despite Banks accepting the saving finances and deposits the part of NBFC is critical and the presence of NBFC in our country to boost the frugality in the correct direction.

NBFCs do play a critical part in sharing in the development of an frugality by furnishing a fillip to transportation, employment generation, and wealth creation, bank credit in pastoral parts and to support financially weaker sections of the society. NBFC give loans to weaker sections. The banking sector has been the most important sector in the field of business because it supports its credibility in supporting manufacturing, infrastructural development and indeed being the backbone for the common man's plutocrat. Despite Banks accepting the saving finances and deposits the part of NBFC is critical and the presence of NBFC in our country to boost the frugality in the correct direction.

NBFC helps in the profitable development of the country in following ways-

1) Rallying of coffers

2) Capital conformation

3) Furnishing Long term debts

4) Aid in Employment Generation

5) Helps in development of fiscal requests

6) Helps in attracting Foreign subventions

7) Helps in Breaking vicious circle of poverty by serving as Government's instrument.

NBFC plays an important part as banks despite they don't accept the deposits but still they play a vital part in the frugality of India. But as they don't accept the deposits so they also have failure of fund they adopt plutocrat from banks and give loans on interest, and this is how they regulate the plutocrat and play a part of attachment of Banks. NBFC's laws should be bettered

so that chance of NPA can be bettered. NPA is the major issue that's faced by the NBFC. NPA leads to fiscal loss as every company's main motive is to earn profit while taking care of the benefits of its guests and if the quantum of NPA increases than it's a big issue which leads to fiscal crunch and also plutocrat inflow disturbs in the request. The genuine person who really need the finances to rally their fiscal conditions has to face issue due to the fiscal crunch created by NBFC. It also leads to the fiscal loss to the company itself. So our government should keep some check points which are to be obligatory followed by NBFC as well as Banks so that this fiscal mismanagement can be fluently avoided and the plutocrat should be available for the indigent and proper use of plutocrat can be done and companies can also earn profit which is their main motive.

Literature Review and Gap analysis

Akansha Jain 2019 analysis the part of NBFC on the fiscal growth of the nation. This study analysis the data of colorful NBFC registered with the Companies Act of India. As NBFC has grown in figures over the many times and their donation has also increased the GDP of India.

2) ASSCHOAM, PWC in the composition named " erecting the Building the NBFC of the future – scalable and profitablemodes ". This paper highlights the scrutiny on NBFCs and their operation. In this paper 10 themes that NBFCshould take into their thinking around long term, sustainable growth has bandied.

3) KaushalH.R.(2016) – In their exploration paper named " Impact of Non- Banking Financial Companies in Indian Economy growth. " He set up that NBFCs has great compass for the enhancement in free grounded business. They play a part of interposers between saviors and the investors. NBFCs are the perfect druthers to the conventional banks for meeting colorful fiscal conditions of fiscal enterprise.

4) Kumarp. " NBFCs- status paper database " in this exploration paperMr. Kumar has shown types of NBFC's, bracket, regulation and number of registered NBFCs with RBI. He also analysed the profile of NBFCs dealing in means and public deposit in 2008- 09. DSIM, DNBS, MCA maintained NBFCs for different purpose.

5) ShanmughamR. And sowahanyaR.(2014) In their exploration paper named Analysis of fiscal performance of NBFCs in India ". They analysed that there's a prominent difference between profitability rate, influence rate, liquidity rate and threat index rates of named NBFCs.

6) SinghDr. Kshetrimayum Ranjan(2014) in his exploration named " Growth and development of Non banking fiscal Companies in India ", he set up that NBFCs have lesser reach and inflexibility in tapping coffers. Theyare doing further figure grounded business than fund grounded. The paper highlights that NBFCs have come major fiscal source for people. NBFCs are now concentrate more on retail sector, casing finance, particular loanetc.

7) Yadav Sunita(2017) In her paper " A study of performance of NBFCs in India " showed the types of NBFCs. She analysed in profit rate of Different non banking fiscal companies during 2008- 16. Especially HDFC, BAJAJ FINSERY, PFC, INDIABULLS, LICetc.

8) ShollapurM.R in his composition in ' The Indian Journal of Commerce ' has reviewed conception of NBFCs. The NBFCs constituted a significant part of fiscal system and congratulate the service give by marketable bank in India. The effectiveness of fiscal services and flexibilities helped them make a large body of customer including small borrower and bigger commercial establishment. The pace of fiscal liberalization has an boosted the competition. As a result, there has been a shift towards strategic perspective marketing process of NBFCs. This perspective enable them to prognosticate the unborn impact of change and help to move out of week area and snare new occasion through nonstop monitoring system.

9)R.M Srivastava & Divya Nigam in their book operation of Indian Financial Institution stressed that background material for profitable growth and fiscal institution, types of fiscal institution, recent trend Indian fiscal request. They put emphasis on the fact that the plutocrat request has passed through a phase of substantial adaptation and advancement in recent time.

10)K.C Shekhar & Lakshmy Shekhar in his book has explained part of indian NBFCs in India has shown rapid-fire development especially in 1990 owing to their high degree of exposure towards consumers and recrimination of section demand. The part of NBFCs as effective fiscal interposers arise has been well honored as they've essential capacities to take quicker decision, assume threat and customize their services handed by bank and request the factors on a abstract base.

11) L M Bhole in his book define the NBFCs perform a diversified range of function and other colorful fiscal services to individual, commercial and institutional customer. It also play positive part in penetrating certain depositor member and clearing credit demand of borrowers. It also discusses the major fiscal request in India. Along with affiliated fiscal instrument and services i.e. call plutocrat, call loan, other short term interest rate instrument and the recent development in plutocrat request.

12) ShashiK. Gupta, Nisha Gupta & Neeti Gupta in his book define plutocrat request is an occasion for balancing the short term fat fund of the investor with the short term demand to borrowers. Another point of plutocrat request is that they're liquid with varying degree. It also define NBFCs play an important part in fiscal interposers because they can take quick decision making assume lesser pitfalls and design their product to the need of client.

13) Kroszner, 2010- In all advanced husbandry, for case, sophisticated fiscal systems efficiently deliver a broad range of fiscal services and act as a critical pillar in contributing to macroeconomic stability and sustained profitable growth and substance(World Bank, 2003). also, the well advanced fiscal requests grease rallying of savings, by offering saviors and investors wider choice of instruments. With NBFCs coming up on the fiscal system, investors could situate their finances at further economic returns in comparison to the bank deposits.

14) pertaining to NBFIs, Greenspan(1999) had stated " enhance the adaptability of the fiscal system to profitable shocks by furnishing it with an effective ' spare tyre ' in times of need ". also, while short term loans demanded by the assiduity and husbandry are offered by the banking system, the other forms of services demanded by assiduity as well as other parts of frugality are offered by NBFCs and other analogous fiscal institutions, like factoring, adventure finance and so on.

15) Hasriman KaurA. andDr.Bhawdeep Singh Tanghi(2013) anatomized that NBFCs played an essential part in terms of macroeconomic prospective as well as strengthening the structure of the Indian financial system. connection in the sector and better nonsupervisory structure has come more riveted.

16)Dr.Amardeep(2013) analysed that " The part of NBFCs in creation of productive public means can hardly be undermined. This is further than apparent from the fact that utmost of the developed husbandry in the world have reckoned heavily on parcel finance route in their development process ".

17)Dr.Yogesh Maheshwari(2013) in his paper state that " Changing Monetary script have opened up openings for NBFCs to expand their global presence through tone expansion strategic alliance etc. The Monetary reforms have brought Indian Monetary system closer to global norms "

18) There's universal agreement that a duly performing fiscal system is needed for a thriving ultramodern frugality

19) Kroszner, 2010 In all advanced husbandry, for case, sophisticated fiscal systems efficiently deliver a broad range of fiscal services and act as a critical pillar in contributing to macroeconomic stability and sustained profitable growth and substance

20) World Bank, 2003 also, the well advanced fiscal requests grease rallying of savings, by offering saviors and investors wider choice of instruments. With NBFCs coming up on the fiscal system, investors could situate their finances at further economic returns in comparison to the bank deposits.

21) pertaining to NBFIs, Greenspan(1999) had stated " enhance the adaptability of the fiscal system to profitable shocks by furnishing it with an effective ' spare tyre ' in times of need ". also, while short term loans demanded by the assiduity and husbandry are offered by the banking system, the other forms of services demanded by assiduity as well as other parts of frugality are offered by NBFCs and other analogous fiscal institutions, like factoring, adventure finance and so on.

22) Hasriman KaurA. andDr.Bhawdeep Singh Tanghi(2013) anatomized that NBFCs played an essential part in terms of macroeconomic prospective as well as strengthening the structure of

the Indian financial system. connection in the sector and better nonsupervisory structure has come more riveted.

23)Dr.Amardeep(2013) analysed that " The part of NBFCs in creation of productive public means can hardly be undermined. This is further than apparent from the fact that utmost of the developed husbandry in the world have reckoned heavily on parcel finance route in their development process ". 24)Dr.Yogesh Maheshwari(2013) in his paper state that " Changing Monetary script have opened up openings for NBFCs to expand their global presence through tone expansion strategic alliance etc. The Monetary reforms have brought Indian Monetary system closer to global norms ".

Objectives and Hypothesis of the study

1) Analysis the evolution of NBFC sector in India in past 2 decades
2) Job Creation in the market through NBFC
3) Analysis of factors of NBFC which contributes in Ease of Receiving Loan
4) Share of NBFC's in Market
5) Profit Earning Capabilities of NBFC
6) To know how much NBFC better than Banks

Hypothesis-

1. Ho- NBFC's are not better than banks when it comes to availability of fund

   H1- NBFC's are better than banks when it comes to availability of fund

2. Ho- Less paperwork leads to more NPA (Non- Performing Assets)

   H1- Less paperwork does not lead to more NPA

3. Ho- People believe more in Banks than in NBFC

   H1- People believe more in NBFC than in Banks

4. Ho- NBFC leads to inflation in the country
   H1- NBFC does not lead to inflation in the country.

Research Methodology

As Research Methodology is the veritably important part of exploration which easily shapes and defines the major exploration work. It cognizes the quality, credibility, thickness, neutrality, comprehensiveness of exploration work of the experimenter which is easily negligible. The present study aspire " The part of NBFC in the Indian frugality and It's donation

to Affectation in the Country. ” The study will include the primary and secondary data collected from colorful sources. Every possibilities have been understood to make this exploration immensely logical and useful the each and every one related. The exploration Methodology part includes somesub-sections like Research Design, Population and Sample Tools and ways, Procedure of Data Collection.

1) Research Design - The study being accepted is Exploratory as well as descriptive exploration. Descriptive exploration attempts to describe in detail the relationship between colorful aspects of exploration problem. The major purpose of this exploration design is to describe the state of affairs as it exists at present. While studying the exploration problem, a scientific methodology will be followed. The Descriptive exploration design has been named because it can be easily defined whatever measured and can find styles for measuring it along with a clear cut description of population for study in this exploration design. Since the main end is to gain complete and accurate information, the procedure to be used will be precisely planned. This exploration design will make enough provision for protection against bias and maximize trustability.

2) Population and Sample - Population All particulars in any field of enquiry constitute a Population. The population for the study is loan campaigners from NBFC and Banks. slice is the utmost part of exploration work. It may be defined as the selection of some part of an total or summation on the base of which a judgement or conclusion about the total or summation is made. In simple words, it's the process of carrying information about the population by examining only a part of it. slice Unit In this study, the slice unit will be the persons who has taken loans from Banks and NBFC’s or have invested in NBFC’s.

3) Sampling Design -This refers to the procedure by which the repliers should be chosen. In this case, keeping in mind the nature of data needed for the study stratified slice will be used.

4) Compass of Study This study is confined to named area(Region will be named consequently to get the maximum affair of exploration

5) Data Collection styles the styles of data collection will be Primary as well as Secondary. Primary data will be collected through questionnaire. Also available information on the web-gate, published work will be used as secondary data. Questionnaire Method Data firstly collected for an disquisition are known as primary data. similar data is original in character.

6) The questionnaire system- is the most important and popular system. The primary data collected for the exploration study will be collected through the questionnaire system. While preparing the questionnaires special care will be taken while drafting of the questions which will be arranged logically and nebulosity will be avoided.

ANALYSIS AND INTERPRETATION

The data after collection has to be processes and presented in agreement to the figure laid down in the exploration study plan. This is essential for a scientific study and to icing that we

organize and epitomize data precisely in order to increase its validity in such a way that it enables to relate critical points with study objects in a simple and an effective manner. originally the data will be edited, enciphered and also classified. In order to make the collected data tone-speaking, intriguing and clear, it'll be presented in the form of tables, plates and maps. As per the conditions of the study, both the quantitative and qualitative data has been collected. The statistical ways will be used according to the demand of the study in order to have proper and scientific analysis and interpretation of data.

Conclusion

The results will be bandied in detail. All question of questionnaire will be bandied independently. This section will comprise three sub sections Findings, conclusion and recommendation. In the findings sections the final outgrowth of each question of the questionnaire will be bandied and in the conclusion part the complete study will concluded and some important conclusion will be drawn which will help in understanding the current script of the sanitarium and quality of service delivered by these hospitals and also give a brief idea for farther exploration and in the last part, there will be some recommendation on the base of the findings of the study which will help in perfecting the loan installations in NBFC's.